



Tennessee State Board of Accountancy
Department of Commerce and Insurance

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MEETING MINUTES

June 21, 2005

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on Tuesday, June 21, 2005, at 10:30 a.m.

Members present were Micheal Vaughn, Chairman; Doug Warren, Vice-Chair; Kenneth Cozart, Secretary; David Curbo, Charles K. Grant, Max Haught, William Underwood, Stanley Sawyer, Joseph Buffler and Robert Davidson.

Also present were Linda Biek, Executive Director; Ernie Sykes, Staff Counsel; Leona Johnson, Administrative Assistant; Mark Crocker, Investigator; and Dan Syriac, Administrative Manager.

Micheal Vaughn called the meeting to order at 10:30 a.m. Mr. Vaughn welcomed the Board Members and asked if there were any announcements. There being no announcements, Mr. Vaughn called for the election of new officers for the Board. Robert Davidson nominated Max Haught for Secretary. Mr. Haught voiced concern as he is not an Active CPA; however the Board Members indicated that being an Active CPA is not a requirement to be an officer of the Board. Bill Underwood seconded the motion; it was voted on and approved. Max Haught nominated Robert Davidson for Vice-Chair. Robert Davidson declined the nomination. Max Haught nominated Kenneth Cozart for Vice-Chair. Robert Davidson seconded the motion; it was voted on and approved. Kenneth Cozart nominated Doug Warren for Board Chair. Robert Davidson seconded the motion; it was voted on and approved.

Mr. Vaughn asked for a motion to approve the minutes of the April 29, 2005, Board meeting. Doug Warren motioned to approve the minutes of the April Board Meeting. Max Haught seconded the motion; it was voted on and approved.

Linda Biek presented the Executive Director's Report: (see attached report)

Before giving her report, Mrs. Biek presented awards of service to David Curbo and Mike Vaughn and thanked them for their nine (9) years of service on the Board. Mrs. Biek also had an award of service for L. Dan Johnson and will send it to him via U.S. Mail.

1) Linda announced the following Board Meeting dates:

October 28, 2005	January 6, 2006
April 28, 2006	July 28, 2006
October 27, 2006	

- 2) Board retreat: A discussion was held regarding the location and date of the retreat. The Board agreed on having the retreat at Montgomery Bell State Park on September 9-10. Linda informed the Board Members that the retreat was solely for educational purposes and that no Board action can take place at the retreat. However, the Board may choose to have a one day retreat and advertise the second day as a Board Meeting.
- 3) Mrs. Biek asked for the Board's approval to recommend former Senator Ben Atchley for NASBA's William H. Van Rensselaer Award. Robert Davidson made a motion to approve the recommendation. Doug Warren seconded the motion; it was voted on and approved.

- 4) Prometric has announced its plan to increase the exam fees. CPAES has agreed to absorb this increase for Tennessee Candidates until the contract allows for an increase in 2007. The Board requested that this information be announced on our website and in the TSCPA newsletter.
- 5) Linda Biek and Doug Warren attended the NASBA Regional Meeting on June 8-10 in Baltimore. Representatives from the PCAOB were in attendance to discuss the confidentiality of the reports and inform the Boards that they are not allowed to take action within the first year of receipt. Mr. Warren and Mrs. Biek will be communicating with the PCAOB's legal counsel to determine the most effective course of action by our Board.
- 6) On-line renewals will be offered this December as an option to paper renewal forms sent in via U.S. Mail. The Department of Commerce and Insurance will charge a nominal convenience fee for this service (\$5-\$10).
- 7) The Madison CPA Examination location has the highest number of reported computer problems. NASBA has assured us that all of the computers at the Madison site will be replaced in 2005. Doug Warren reported that this has been completed.
- 8) Carol Sigmann of the California Board of Accountancy sent out the attached letter. The Board Members discussed the letter and the response Prometric sent out. Robert Davidson motioned for the Board to direct Linda Biek, Executive Director, to write a letter opposing the exam fee increase and asking Prometric to control the exam costs and be sensitive to this in the future. In addition, Mrs. Biek should investigate if any States have scholarships programs to pay for exam fees, a process in which to abate exam fees for hardship, or Board funded exam fees for candidates that have economic barriers. Joseph Buffler seconded the motion; it was voted on and approved.
- 9) NASBA's Annual Meeting will held October 30th thru November 2nd in Tucson. Please let me know if you would like to attend. Travel requests will be submitted in early July. NASBA will also have a meeting on September 15th in Washington, D.C. to roll out the Center for Public Trust. Doug Warren spoke briefly to the Board Members about this new Center for Public Trust.
- 10) Maria Caldwell, NASBA's legal counsel, will speak this afternoon regarding the ALD.
- 11) Approximately 18 states allow candidates to sit for the CPA exam once they receive a bachelor's degree but prior to meeting the 150 hour rule. Ernie will research this to see if a law change would be required to allow this in Tennessee. He will report his findings at the retreat. Ernie asked each Board Member to make a list of their concerns and proposed law changes to give to him at the retreat. Dan Elrod and Brad Floyd will attend the retreat to give the Board Members guidance and a timeline of how the law changes go through the legislative process.
- 12) Two new rulings just came out regarding professional ethics relating to gift acceptance and discreditable acts. I have attached copies for you to read and review.
- 13) Please review the Focus Questions and answers and let me know if you approve them or if changes are necessary. Robert Davidson motioned to approve the Focus Question and answers. Kenneth Cozart seconded the motion; it was voted on and approved.
- 14) A Financial Review for fiscal year 2005 of the Accountancy Board was presented for Board review.

LUNCH

Maria Caldwell, legal counsel for NASBA made a presentation of the ALD to the Board Members. Her presentation included: why the ALD was created, benefits of the ALD, when the ALD will be on-line, where the ALD is, how the ALD works, the creation of a unique identifier (Date of Birth [D.O.B.] + last 4 digits of SS#), how information is protected (hashing), what is hashing (formula + key + data), and why the data is safe. In conclusion, the ALD was created so that all Boards can use the data efficiently and effectively.

Once the presentation concluded Kenneth Cozart motioned for the Board to approve the release of the D.O.B. and last 4 digits of the SS# for use by the ALD. Joseph Buffler seconded the motion; it was voted on and approved.

Ernie Sykes presented the Attorney's Report: (copy attached)

Mr. Sykes distributed written opinions to the Board Members regarding firm registration requirements for out of state individual CPAs whose practice brings them to Tennessee and the scope of accounting work available to inactive CPAs. The Board discussed the firm registration opinion in relation to a firm that questioned their requirement to register their out-of-state firm with our Board. The Board requested

that Mrs. Biek seek further information from the firm so the Board can properly access the situation to determine if the out-of-state firm is required to register with our Board. The Board also discussed the opinion of the scope of accounting work available to inactive CPAs and the Board's interpretation that was adopted in November 2004. The Board agreed the legal opinion and their interpretation allows inactive CPAs the opportunity to perform field work on attest engagements as long as they do not sign any work product, supervise, meet with clients or present themselves as CPAs.

Mr. Sykes then informed the Board Members that the role of the retreat includes: review of Board Member duties, Board Member responsibilities in hearings, how to handle communication from the public, how to streamline the disciplinary action process, how to categorize classes and types of complaint cases, instruction from the D.A.'s office on the steps and processes of their office and an opportunity for the Board Members to express the importance of our cases to the D.A. representative, and to review the process of rule changes and rule making hearings.

Mary Moody, General Council came into the Meeting to inform the Board Members that no action has taken place regarding the case filed by Mr. Tongate since she spoke to the Board in April. Ms. Moody will have the Board attorney present a full report at the next Board Meeting if any action occurs.

Ernie Sykes presented the Attorney's Report: (continued)

Mr. Sykes suggested that the retreat be sun shined as a Board Meeting so that action may be taken on some items.

Linda Biek presented the Probable Cause Committee report:

- 1) Mrs. Biek requested guidance from the Committee on how to handle CPA and Firm renewals that disclose involvement in a lawsuit. The Committee instructed the staff to process the renewals and request information from the CPA or Firm as to how they addressed this internally. Suits involving technical violations will require the CPA or Firm to attend a meeting with a Board Member and the Executive Director.
- 2) Mrs. Biek requested the Committee's guidance regarding a letter received from the Comptroller's Office. After discussion, the Committee determined that Mrs. Biek should ask for more detailed information before a determination can be made.
- 3) Board Members reviewed cases as listed on the report and gave recommendations of action to the Board. Doug Warren motioned to approve the Probable Cause Committee Report and recommendations as written. Charles K. Grant seconded the motion; it was voted on and approved.

Stanley Sawyer asked Ernie if he had any information from the AG's office regarding collecting civil penalties. Ernie will get back with the AG's office to see if we can go through Chancery Court to collect civil penalties and will e-mail a response to the Board Members before the retreat.

Doug Warren presented the CPE Committee Report: (Report attached)

- 1) We received a request from a foreign academic credentials organization to be approved by our Board. After further research, the Committee declined their request.
- 2) The Committee has decided to have all CPE sponsors on the Board Approved Sponsor List reapply to assure that they should still be on the list.
- 3) The UAA Exposure Draft was discussed. Doug Warren made a motion to have Linda Biek prepare a letter in response to the Exposure Draft opposing the specificity of topics and the requirement of an accounting accreditation for the school. David Curbo seconded the motion; it was voted on and approved.
- 4) The Committee denied a request from S.E. Life Insurance to be approved as an exempt CPE sponsor.
- 5) The Committee discussed the CPE requirements for a licensee when only holding an Active license for one year of the reporting period. The Committee agreed that the licensee would be responsible for ½ of each of the requirements (40 total hours, 20 technical hours and 10 A&A hours).
- 6) Mr. Cozart reported the issuance of 45 new CPA certificates and 19 reciprocal CPA certificates whose experience and other qualifications have been approved by the Board's staff and

randomly audited by the Committee Members. Doug Warren made a motion to ratify the approval of the CPA certificates. Max Haught seconded the motion; it was voted on and approved.

David Curbo presented the Peer Review Committee Report:

- 1) He reported that thirteen (13) new firms have registered since the last Board Meeting. Mr. Curbo motioned to ratify the approval of the 13 new firms. Doug Warren seconded the motion; it was voted on and approved. Mr. Curbo also informed the Board that a new checklist has been created to use when approving new firm permits. This checklist will be used by the Committee Members to audit approvals of new firms starting with the next board meeting.
- 2) Mr. Curbo reported that 478 firms are due to have a peer review in 2005; of those 259 firms have already scheduled their review.
- 3) 13 firms that were due a peer review in 2004 had a complaint filed against them for non-compliance.
- 4) There are still 9 firms that do not meet the requirement to renew their firm permit because their 2004 peer review was never scheduled or completed. Ernie is looking into the legality of publishing this list on our website and in the TSCPA newsletter.
- 5) The Committee approved two peer review exempt letters.
- 6) We have six (6) approved reviews that are due to complete the CPE update course for peer review this year.
- 7) The Middle Tennessee Oversight Committee Member position has only one applicant, Jim Michie. The procurement process will now go forward and the contract will be offered to Mr. Michie.
- 8) The Committee discussed recommendations for setting a discipline policy for the firms in non-compliance. David Curbo made a motion to amend the disciplinary guidelines to include "In the event that a firm is issued a consent order for failure to complete a peer review the consent order will stipulate a peer review date and state that violation of the consent order will result in revocation of the firms permit." Bill Underwood seconded the motion; it was voted on and approved.
- 9) The NCCPAP requests to be approved as a Peer Review Program for Tennessee firms. The Committee deferred this to the Oversight Committee to review and verify copyright approval from the AICPA for the use of their manual.

Max Haught presented the Administrative Committee Report:

- 1) Mr. Haught reported that most of the Committee meeting was devoted to the review of financial projections prepared by the Executive Director which shows a possible fiscal 2005 net loss of approximately \$90,000 which is mostly due to projected actual revenues being less than those budgeted. Also, the anticipated net loss could change depending on how actual "Cost Backs" compare with the amounts budgeted. Such amounts will not be known until after June 30, 2005 when provided by the commissioner of finance and administration. The Committee plans to work with the Executive Director in developing a proposed budget for fiscal 2006 and hopes to have it ready for Board review in time for the next Board meeting.
- 2) The Committee responsibilities are being revised and will be presented at the next Board Meeting for review and approval.
- 3) The Policy Manual is being updated for presentation at the next Board Meeting.
- 4) An attempt was made for certain Board members to meet with Commissioner Flowers for a "general discussion" related to Board matters, but because of Sunshine Laws the proposed meeting was delayed until clarification could be provided by State attorney, Mary Moody. After her response, all parties agreed that it would appropriate for such a "general discussion" at the September retreat and invitations are to be sent to both Commissioner Flowers and State attorney, Mary Moody.
- 5) The Administrative Committee was attended by the three members of the Executive Committee.

Old Business: None

New Business:

Doug Warren asked that the agenda for the retreat be prioritized and delay some items to the October Board Meeting. He informed the Board Members that the retreat will be a casual event; spouses are invited and will have activities to enjoy. Please get your reservation information to Linda as soon as possible. Any Board Member that has interest in serving on a specific Board Committee should inform Linda or Doug Warren.

Mike Vaughn thanked all of the Board Members for their service during his tenure on the Board. He informed the Board Staff and the Board Attorney that he was pleased with their service and has appreciated the opportunity to serve with us all.

There being no further business to come before the Board Bill Underwood motioned to adjourn the meeting.

CHAIRMAN

SECRETARY